

DIVISION OF FINANCIAL INSTITUTIONS  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
STATE OF HAWAII

IN THE MATTER OF THE	)	
	)	
APPLICATION OF	)	
	)	
Central Pacific Financial Corp. and	)	DECISION AND ORDER
CB Bancshares, Inc.	)	REGARDING THE MERGER
	)	OF CENTRAL PACIFIC
APPLICANTS,	)	FINANCIAL CORP. AND
	)	CB BANCSHARES, INC.
	)	
For Approval to Merge CB Bancshares, Inc.	)	
with Central Pacific Financial Corp.	)	
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DECISION AND ORDER REGARDING  
THE MERGER OF  
CENTRAL PACIFIC FINANCIAL CORP.  
AND  
CB BANCSHARES, INC.

TO: MR. CLINT ARNOLDUS CHAIRMAN AND CHIEF EXECUTIVE OFFICER CENTRAL PACIFIC FINANCIAL CORP. 220 SOUTH KING STREET HONOLULU, HAWAII 96813	MR. RONALD K. MIGITA PRESIDENT AND CHIEF EXECUTIVE OFFICER CB BANCSHARES, INC. 201 MERCHANT STREET HONOLULU, HAWAII 96813
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Pursuant to the authority granted to the Commissioner of Financial Institutions (the "Commissioner") in Chapter 412, Code of Financial Institutions, Hawaii Revised Statutes ("HRS"), and all applicable administrative rules, the following findings and conclusions are hereby entered:

## FINDINGS OF FACT

1. The participating institutions ("Participating Institutions") in this matter are:
  - a. CENTRAL PACIFIC FINANCIAL CORP. ("CPF"), a Hawaii corporation, which is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. CPF's principal office is located at 220 South King Street, Honolulu, Hawaii 96813.
  - b. CB BANCSHARES, INC. ("CBBI"), a Hawaii corporation, which is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. CBBI's principal office is located at 201 Merchant Street, Honolulu, Hawaii 96813.
2. CPF is the parent company of Central Pacific Bank ("CPB") which is a bank chartered by the State of Hawaii. CPB is the third largest commercial bank in the State of Hawaii. As of March 31, 2004, CPF had total assets of \$2.3 billion.
3. CBBI is the parent company of City Bank ("CB") which is a bank chartered by the State of Hawaii. CB is the fourth largest commercial bank in the State of Hawaii. As of March 31, 2004, CBBI had total assets of \$1.9 billion.
4. By letter dated May 20, 2004, the Participating Institutions submitted an application for the Commissioner's approval to merge CBBI with CPF pursuant to HRS §412:3-611. Additional information was provided by the Participating Institutions through letters dated May 26, 2004, June 1, 2004, June 14, 2004, June 28, 2004, July 9, 2004, and July 23, 2004 amending, supplementing and supporting the May 20, 2004 application (collectively the "Application").
5. The Participating Institutions have entered into an Agreement and Plan of Merger (the "Plan") dated April 22, 2004 whereby CBBI will be merged with CPF. CPF will be the resulting institution ("Resulting Institution").
6. In the proposed merger, CPF is offering \$20.00 in cash and 2.6752 shares ("Offer Price") of CPF common stock in exchange for each issued and outstanding share of CBBI common stock. The merger is subject to approval by the holders of three-fourths of the outstanding common shares of CPF and CBBI.
7. The proposed board of directors of the Resulting Institution will consist of 15 members, nine of whom are presently board members of CPF and six of whom are presently board members of CBBI. Ronald K. Migita, who is presently the President, Chief Executive Officer, and a Director of CBBI will be the non-executive Chairman of the Board for the Resulting Institution.

8. The proposed executive officers of the Resulting Institution will be: Clint Arnoldus, Chief Executive Officer; Neal K. Kanda, President and Chief Operating Officer; Dean K. Hirata, Executive Vice President & Chief Financial Officer. Mr. Arnoldus will also serve as a Director for the Resulting Institution.

9. The Participating Institutions believe that the proposed merger will create a stronger locally based bank, which will be able to compete more effectively in the banking industry, and will be better able to serve shareholders, customers, and the community. Participating Institutions also believe that the merger presents the possibility of achieving significant cost savings, operating efficiencies, and revenue enhancements due to the consolidation of operations and programs.

10. The Participating Institutions project that the Resulting Institution will have total assets of \$4.3 billion and total stockholders' equity of \$526 million immediately after the proposed merger. The Resulting Institution is projected to remain well-capitalized with projected Tier 1 capital ratio of 9.77%, total capital of 11.02%, and Tier 1 leveraged capital of 7.90%.

11. The Participating Institutions published notice of their intent to merge (the "Notice") in The Honolulu Advertiser on June 25, 2004. The Commissioner did not receive any comments regarding the proposed merger during the 15-day comment period following the publication of the Notice.

### CONCLUSIONS OF LAW

Upon consideration and review of the Application and its supporting and incorporated documents, it is concluded that:

1. Pursuant to Chapter 412, Code of Financial Institutions of the Hawaii Revised Statutes, the Commissioner has jurisdiction over this Application.

2. The Application submitted to the Commissioner is in a form prescribed by the Commissioner and includes, together with supporting and incorporated documents, information required by the Commissioner to make the findings of fact and conclusions of law set forth herein.

3. Sufficient information has been provided to enable the Commissioner to find the necessary facts and reach the required conclusions needed before issuing a decision on this Application.

4. The Resulting Institution will be adequately capitalized and will hold sufficient cash reserves subsequent to the merger.

5. The Participating Institutions have complied with, or will comply with, all requirements, conditions, and limitations imposed by federal and state laws or regulations with respect to the merger.

6. The proposed executive officers and directors of the Resulting Institution include some of the present officers and directors of the Participating Institutions. Through their service at the Participating Institutions, these proposed executive officers and directors appear to have established a record of sound performance, efficient management, financial responsibility and integrity. They also appear to have demonstrated that they are competent and sufficiently experienced and may therefore be expected to manage the Resulting Institution in a safe and efficient manner, consistent with the interests of the depositors, beneficiaries, creditors, or shareholders of the Resulting Institution and its subsidiaries, or in the public interest.

7. The proposed merger will not jeopardize the safety or soundness of the subsidiary financial institutions of the Participating Institutions and is not otherwise contrary to the public interest.

8. The merger will not substantially lessen competition or tend to create a monopoly or restraint of trade in any part of the country that includes this State or a part thereof.

9. The proposed merger will promote the convenience, needs and advantage of the general public in the communities in which the Participating Institutions conduct their business.

10. Any conclusion of law that is deemed to be a finding of fact shall be construed to be a finding of fact.

#### ORDER

NOW, THEREFORE, GOOD CAUSE APPEARING, THE FOLLOWING DECISION AND ORDER IS HEREBY ENTERED:

1. In accordance with HRS §412:3-611, approval is hereby granted to CENTRAL PACIFIC FINANCIAL CORP. and CB BANCSHARES, INC. to merge as described in the Agreement and Plan of Merger dated April 22, 2004 and this Application.

2. This Decision and Order is entered on the date set forth below.

3. This approval is made pursuant to the authority granted the Commissioner in Chapter 412, Hawaii Revised Statutes, and applicable Hawaii Administrative Rules, and is subject to the following conditions:

- a. Central Pacific Financial Corp. and CB Bancshares, Inc. are to obtain all the necessary federal and/or state regulatory approvals and comply with all requirements, conditions, and limitations imposed by federal and state laws with respect to this transaction.
- b. Central Pacific Financial Corp. and CB Bancshares, Inc. are to proceed with the merger pursuant to the terms and representations set forth in the Application and Agreement and Plan of Merger.
- c. Central Pacific Financial Corp. is to provide the name, address, and telephone number of an individual to whom all inquiries regarding this transaction can be referred and whom the public may contact should they have any questions regarding this merger.
- d. Within 30 days following the effective date of the merger, Central Pacific Financial Corp. is to provide written notice to the Commissioner attesting to the completion of the merger, in accordance with the Application and the Agreement and Plan of Merger, and describing any material modification of the merger, if any.
- e. The merger transaction is to be completed within six months from the date of issuance of this Decision and Order. Upon written request of the Participating Institutions, an extension of time may be granted for good cause.

This Decision and Order shall be voidable in the sole discretion of the Commissioner if material conditions set forth in this Decision and Order are not fulfilled, if material representations made in support of the Application are not complied with or should be determined to be untrue, or if material facts have been omitted from the Application.

DATED AND ENTERED: HONOLULU, HAWAII, July 30, 2004.

COMMISSIONER OF FINANCIAL INSTITUTIONS  
DIVISION OF FINANCIAL INSTITUTIONS  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
STATE OF HAWAII

/s/ D.B. Griffin III  
D. B. GRIFFIN III

[IN THE MATTER OF THE APPLICATION OF CENTRAL PACIFIC FINANCIAL CORP. AND CB BANCSHARES, INC. FOR APPROVAL TO MERGE CB BANCSHARES, INC. WITH CENTRAL PACIFIC FINANCIAL CORP.]